

STATE OF ILLINOIS
SECRETARY OF STATE
SECURITIES DEPARTMENT

IN THE MATTER OF: JOHN ALLEN ANDERSON

)
) File No. 0500232
)

ORDER OF PROHIBITION

TO THE RESPONDENT: John Allen Anderson (CRD # 4262167)
2015 West 65th Pl.
Los Angeles, California 90047-1706

WHEREAS, the record of the above captioned matter has been reviewed by the Secretary of State or his duly authorized representative;

WHEREAS, the rulings of the Hearing Officer on the admission of evidence and all motions are deemed to be proper and are hereby concurred with by the Secretary of State;

WHEREAS, the proposed Findings of Facts and Conclusions of Law and Recommendation of the Hearing officer, Jon K. Ellis, in the above-captioned matter have been read and examined;

WHEREAS, the following proposed Findings of Fact are correct and are adopted by the Secretary of State as follows:

1. The pleadings and Exhibits have been offered and received from the Department and a proper record of all proceedings has been made and preserved as required by law.
2. The Hearing Officer has ruled on all motions and objections timely made and submitted.
3. The Hearing Officer and the Secretary of State Securities Department have jurisdiction over the parties herein and subject matter dealt with herein, due and proper notice having been previously given as required by statute in this Matter.
4. As no Answer was filed, Respondent is therefore deemed to be in default.

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5. The Respondent is an individual with a last known address of 2015 West 65th Place, Los Angeles, California 90047-1706.
6. On or about September 24, 2003, the Respondent offered and sold to KW, an Illinois resident, an investment contract whereby in return for an investment amount of \$5,000.00 in the Respondent's "Joint capitol investment", KW would receive all of the aforesaid principal invested plus 100% interest on said principal no later than 12 months from the date of the aforesaid investment.
7. The Respondent represented to KW that she had "no risk of loss of principal investment" and that no later than 12 months after the aforesaid investment date, KW would receive the full principal and 100% interest; however, more than 12 months have passed since the date of the investment, and as of this date, KW has not received any return from her investment nor has she received a return of her principal as promised by the Respondent; furthermore, KW has been unable to contact the Respondent in this regard despite numerous attempts to do so.
8. At all times relevant hereto, the Respondent obtained money or property from KW, an Illinois resident, by means of an untrue statement of material fact or an omission to state a material fact by representing to KW that she had "no risk of loss of principal investment" and that no later than 12 months after the aforesaid investment date, KW would receive the full principal and 100% interest, when in fact more than 12 months have passed since the date of the investment, and as of this date, KW has not received any return from her investment nor has she received a return of her principal as promised by the Respondent; furthermore, KW has been unable to contact the Respondent in this regard despite numerous attempts to do so.
9. The above referenced investment contract is a security as that term is defined pursuant to Section 2.1 of the Act, and is an offer and a sale of a security as defined by Section 2.5 of the Act.
10. Section 5 of the Act provides that all securities except those set forth under Section 2a, or those exempt under Section 3, or those offered and sold in transactions exempt under Section 4 of the Act shall be registered

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with the Secretary of State prior to their offer or sale in the State of Illinois.

11. At all times relevant hereto, the Respondent failed to file an application for registration of the above referenced securities with the Secretary of State prior to their offer or sale in the State of Illinois.
12. That Section 2.1 of the Act (815 ILCS 5/2.1) defines the term "Security" as any note, stock, treasury stock, bond, debenture, evidence of indebtedness, certificate of interest or participation in any profit sharing agreement, collateral trust certificate, pre-organization certificate or subscription, transferable share, investment contract, investment fund share, face-amount certificate, voting-trust certificate, certificate of deposit for a security, fractional undivided interest in oil, gas or other mineral lease, right or royalty, any put, call, straddle, option, or privilege on any security, certificate of deposit or group or index of securities (including any interest therein or based on the value thereof), or any put, call, straddle, option or privilege entered into on a national securities exchange relating to foreign currency, or, in general, any interest or instrument commonly known as a "Security", or any certificate of interest or participation in, temporary or interim certificate for, receipt for, guarantee of, or warrant or right to subscribe to or purchase, any of the foregoing. "Security" does not mean a mineral investment contract or a mineral deferred delivery contract; provided, however, the Department shall have authority to regulate these contracts as hereinafter provided.
13. That Section 2.5 of the Act (815 ILCS 5/2.5) defines the term "Sale or Sell" to include the full meaning of that term as applied by or accepted in the courts of this State, and shall include every contract of sale or disposition of a security or interest in a security of value.
14. That Section 2.5a of the Act (815 ILCS 5/2a) defines the term "Offer" to include every offer to sell or otherwise dispose of, solicitation of an offer to purchase, a security or interest in a security for value; provided that the term "Offer" shall not include preliminary negotiations or agreements between an issuer and any

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underwriter or among underwriters who are or are to be in privity of contract with an issuer, or a the circulation or publication of an identifying statement or circular or preliminary prospectus, as defined by rules or regulations of the Secretary of State.

15. The Respondent induced an Illinois resident to purchase said securities as detailed and documented in the Department's pleadings and Exhibits without first having registered the securities with the Illinois Secretary of State as is required by the Act. The foregoing actions, representations, and/or omissions tended to work a fraud upon an Illinois purchaser, were untrue or misleading of material facts, and were made to obtain money from an Illinois purchaser.
16. Section 12.A of the Act (815 ILCS 5/12.A) provides, inter alia, that it shall be a violation of the Act for any person to offer or sell any securities except in accordance with the provisions of the Act.
17. Section 12.D of the Act (815 ILCS 5/12.D) provides, inter alia, that it shall be a violation of the Act for any person to fail to file with the Secretary of State any document required to be filed under any provision of the Act.
18. Section 12G of the Act (815 ILCS 5/12.D) provides, inter alia, that it shall be a violation of the Act for any person to obtain money or property through the sale of securities by means of any untrue statements of a material fact or any omission to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading.
19. By virtue of the foregoing, the Respondent has violated Sections 12.A, 12.D and 12.G of the Act.
20. Section 11.E(1) of the Act provides, inter alia, that if the Secretary of State shall find that the offer or sale or method of offer or sale of any securities by any person, whether exempt or not, in this State, is fraudulent, or would work or tend to work a fraud or deceit, the Secretary of State may by written order prohibit the offer or sale of securities by that person in this State.

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21. Section 11.E(2) of the Act provides, inter alia, that if the Secretary of State shall find that any person has violated subsections D and/or G of the Section 12 of the Act, the Secretary of State may by written order temporarily or permanently prohibit or suspend the person from offering or selling any securities in this State, provided that any person who is the subject or an order of permanent prohibition may petition the Secretary of State for a hearing to present evidence of rehabilitation or change of circumstance justifying the amendment or termination of the order of permanent prohibition.
22. Section 11.E(3) of the Act provides, inter alia, that if the Secretary of State shall find that any person is engaging or has engaged in the business of selling or offering for sale securities as a dealer or salesperson without prior thereto and at the time thereof having complied with the registration or notice filing requirements of this Act, the Secretary of State may by written order prohibit the person from offering or selling any securities in this State.
23. Section 11.E(4) of the Act provides, inter alia, that in addition to any other sanction or remedy contained in subsection E, the Secretary of State may, after finding that any provision of this Act has been violated, impose a fine as provided by rule, regulation or order not to exceed \$10,000.00 for each violation of the Act, and may issue an order of public censure against the violator.
24. The entry of a final written Order of Public Censure, Permanent Prohibition and a Fine is proper in this Matter, given the conduct of the Respondent as described in the pleadings and Secretary of State Exhibits Nos. 1-6.

WHEREAS, the following proposed Conclusions of Law are correct and are adopted by the Secretary of State as follows:

1. The actions, representations, and/or omissions of the Respondent made in connection with the failure to offer or sell any security in accordance with the provisions of the Act are violations of Section 12.A of the Act. The actions, representations, and/or omissions of the Respondent made in connection with the failure to file required documents with the Secretary of State are

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violations of Section 12.D of the Act. The actions, representations, and/or omissions of the Respondent which were untrue or misleading or material facts and were made to obtain money from Illinois purchasers are violations of Section 12.G of the Act.

2. Because of the Findings of this Order, the pleadings, and the Exhibits admitted as Secretary of State Exhibits Nos. 1-6, the Respondent is subject to the entry of a final written Order that permanently prohibits the Respondent pursuant to Sections 11.E(1), 11.E(2) and 11.E(3) of the Act from offering or selling securities in the State of Illinois, imposes a fine pursuant to Section 11.E(4) of the Act not to exceed \$10,00.00 for each violation of the Act, publicly censures the Respondent in this Matter, and grants such other relief as may be authorized under the Act.

NOW THEREFORE, IT IS HEREBY ORDERED THAT:

1. Respondent is permanently prohibited from offering or selling securities in the State of Illinois;
2. Respondent shall pay a fine in the amount of \$5,000; and
3. Respondent is publicly censured.

ENTERED: This 21st day of September, 2006



Jesse White
Secretary of State
State of Illinois

NOTICE: Failure to comply with the terms of this Order shall be a violation of the Section 12.D of the Act. Any person or entity who fails to comply with the terms of this Order of the Secretary of State, having knowledge of the existence of the Order, shall be guilty of a Class 4 felony.

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This is a final order subject to administrative review pursuant to the Administrative Review Law, [735 ILCS 5/3-101 et seq.] and the Rules and Regulations of the Illinois Securities Act, [14 Ill. Admin. Code Ch. I, Section 130.1123]. Any action for Judicial Review must be commenced within thirty-five (35) days from the date a copy of this Order is served upon the party seeking review.

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